

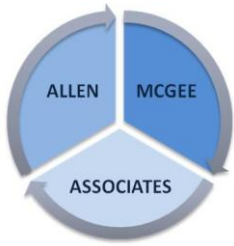
**CARDERVIEW UTILITY DISTRICT
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
JUNE 30, 2012**

CARDERVIEW UTILITY DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2012

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FINANCIAL SECTION



Allen, McGee and Associates

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

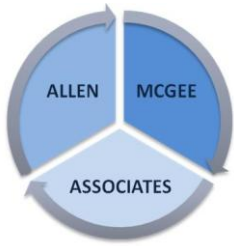
To the Board of Commissioners
Carderview Utility District
Butler, Tennessee 37640

We have audited the accompanying statement of net assets of Carderview Utility District of Johnson County, Tennessee as of and for the year ended June 30, 2012, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of Carderview Utility District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Carderview Utility District, as of June 30, 2012, and the changes in financial position, and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2012, on our consideration of the Carderview Utility District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Allen, McGee and Associates

Certified Public Accountants

Accounting principles generally accepted in the United States of America require that management's discussion and analysis pages 6 through 12, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Carderview Utility District's financial statements as a whole. The accompanying financial information as listed in the table of contents supplementary information section pages 26 through 29 are presented for purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, accompanying financial information as listed in the table of contents supplementary information section are fairly stated in all material respects in relation to the financial statements as a whole. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Allen, McGee and Associates, LLC
Certified Public Accountants

November 26, 2012

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Web Page: AllenMcGeeCPA.com

CARDERVIEW UTILITY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's analysis and overview of Carderview Utility District's financial performance during the fiscal year that ended on June 30, 2012. Please read it in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

Management believes the District's financial condition is strong. Performances in most areas exceed the budget and other expectations. The District has complied with guidelines set by the Commissioners. The following are key financial highlights:

- The District delivered 11.2 million gallons of water.
- Total assets at year-end were \$1,169,999 and exceeded liabilities in the amount of \$961,833 (i.e. net assets). Of the total net assets, \$13,979 was unrestricted and was available to support short term operations. Total net assets decreased from fiscal year end 2011 in the amount of \$19,766.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of the District's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the District's planning, budget, bond resolutions and other management tools were used for this analysis.

The financial statement report information about the District using full accrual accounting methods as utilized by similar business activities in the private sector. However, rate-regulated accounting principles applicable to private sector utilities are not used by government utilities. Financial statements include a statement of net assets; a statement of revenues, expenses and changes in net assets, a statement of cash flow; and notes to the financial statements. The statement of net assets presents the financial position of the District on a full accrual historical cost basis. While the statement of net assets provides information about the nature and amount of resources and obligations at year-end, the statement of revenues, expenses and changes in net assets present the results of the business activities over the course of the fiscal year and information to how the net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash

CARDERVIEW UTILITY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

OVERVIEW OF THE FINANCIAL STATEMENTS (CONT.)

flows. This statement also provides certain information about the District's recovery of its costs.

The District's rates are based on a cost of service rate study. Rate setting policies use different methods of cost recovery not fully provided for by generally accepted accounting standards. The primary objective of the rate model is to improve equity among customers and to ensure that capital costs are allocated on the basis of long term capacity needs, ensuring that growth pays for growth. The statement of cash flows presents changes in cash and cash equivalents, resulting from operation, financing and investing activities.

This statement presents cash receipts and cash disbursements information without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The notes to the financial statement provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the District's accounting policies, significant account balances and activities, material risks, obligation, commitments, contingencies and subsequent events, if any. Supplementary information comparing the budget to actual expenses, as well as important debt coverage data, is provided when available.

The financial statements were prepared by the District's staff from the detailed books and records of the District. The financial statements were audited and adjusted, if material, during the independent external audit process.

SUMMARY OF ORGANIZATION OF BUSINESS

The Carderview Utility District was created in 1948 to distribute potable water to the Butler residents that were moved after TVA built the lake. The District is located in Johnson County, Tennessee.

The district provides reliable high quality supplies of potable water used for drinking, irrigation, and other purposes.

The Commission is charged to finance, construct, operate and maintain facilities for the transmission of potable water. A three member board governs the district. The board members serve a four-year term. When a vacancy occurs, a listing of three

**CARDERVIEW UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)**

SUMMARY OF ORGANIZATION OF BUSINESS (CONT.)

names are submitted to the County Mayor and the Mayor appoints the new commissioner.

FINANCIAL ANALYSIS

The most common financial question posed to the District is, "How did we do financially during 2012?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information about the District activities in a way that will help answer this question. These two statements report the net assets of the District and the changes in them. One can think of the District net assets – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the District net assets is one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors as changes in weather (wet, cool summers), addition of new customers, economic conditions, and new or changed government legislation.

**CARDERVIEW UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)**

FINANCIAL ANALYSIS (CONT.)

Table A-1
Condensed Statement of Net Assets

	FY 2012	FY 2011	Change	Total Percent Changed
Total current and other assets	\$ 49,573	\$ 48,251	\$ 1,322	2.74%
Total noncurrent assets	1,120,426	1,156,356	(35,930)	(3.11)
Total Assets	1,169,999	1,204,607	(34,608)	(2.87)
Total current liabilities	26,051	37,893	(11,842)	(31.25)
Total noncurrent liabilities	182,115	185,115	(3,000)	(1.62)
Total liabilities	208,166	223,008	(14,842)	(6.65)
Invested in capital assets net of related debt	935,311	968,371	(33,060)	(3.41)
Restricted	12,543	11,395	1,148	10.07
Unrestricted	13,979	1,833	12,146	662.63
Total net assets	961,833	981,599	(19,766)	(2.01)

As can be seen from the above table total assets decreased by \$34,608 from \$1,204,607 while total liabilities decreased by \$14,842 from \$223,008.

**CARDERVIEW UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)**

FINANCIAL ANALYSIS (CONT.)

Table A-2
Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	FY 2012	FY 2011	Change	Total Percent Changed
Operating revenues	\$ 161,412	\$ 174,329	\$ (12,917)	(7.41)%
Non-operating revenues	149	111	38	34.23
Total revenues	161,561	174,440	(12,879)	(7.38)
Depreciation expense	41,374	39,308	2,066	5.26
Other operating expense	131,655	130,449	1,206	.92
Non-operating expense	8,298	14,260	(5,962)	(41.81)
Total expenses	181,327	184,017	(2,690)	(1.46)
Changes in net assets	(19,766)	(9,577)	(10,189)	(106.39)
Beginning net assets	981,599	991,176	(9,577)	(.97)
Ending net assets	961,833	981,599	(19,766)	(2.01)

While the statement of Net Assets shows the change in financial position, the statement of Revenues, Expenses, and Changes in Net Assets provide answers as to the nature and source of these changes.

**CARDERVIEW UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)**

CAPITAL ASSETS

At June 30, 2012, the District had \$1,120,426 invested in capital assets.

Table A-3
Capital Assets

	FY 2012	FY 2011	Change	Total Percent Change
<u>Capital assets</u>				
Land	\$ 15,000	\$ 15,000	\$ 0	0.00%
Construction in Progress	5,444	0	5,444	
Cost of Plant in Service	1,461,872	1,461,872	0	0
Office Equipment	4,111	4,111	0	0
Machinery and Equipment	45,585	45,585	0	0
Accumulated Depreciation	(411,586)	(370,212)	(41,374)	11.17
Net Capital Assets	<u>1,120,426</u>	<u>1,156,356</u>	<u>(35,930)</u>	<u>(3.37)</u>

DEBT ADMINISTRATION

On September 3, 2003, the District sold a Waterworks Revenue Bond, Series 2003, to the Farmers Home Administration. The bond bears interest at the rate of 4.25 percent per year, payable in 240 consecutive monthly installments of principal and interest in the amount of \$222.00 each. At June 30, 2012, the bonds outstanding amounted to \$43,923.

On March 22, 2005, the District sold a Waterworks Revenue Bond, Series 2004, to the Farmers Home Administration. The bond bears interest at the rate of 4.5 percent per year, payable in 240 consecutive monthly installments of principal and interest in the amount of \$573.00 each. At June 30, 2012, the bonds outstanding amounted to \$113,900.

CARDERVIEW UTILITY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

DEBT ADMINISTRATION (Cont.)

On August 24, 2006, the District sold a Waterworks Revenue Bond, Series 2006, R-1 to the Farmers Home Administration. The bond bears interest at the rate of 4.5 percent per year, payable in 240 consecutive monthly installments of principal and interest in the amount of \$135.00 each. At June 30, 2012, the bonds outstanding amounted to \$27,292.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET RATES

The Board and Management of the District consider many factors when setting the fiscal year 2011-2012 budget, user fees, and charges. One of the factors is making enough money to meet our indebtedness, meet all state and federal requirements, and provide our customers with safe, affordable drinking water.

UTILITY CONTACT INFORMATION

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Anyone having questions regarding this report or desiring additional information may contact Sharon Church at P O Box 210, Butler, Tennessee 37640.

Carderview Utility District
Statement of Net Assets
For the Year Ended June 30, 2012

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 16,691
Accounts receivable,	
less allowance for doubtful accounts of \$1,860	13,126
Inventory	19,756
Total current assets	<u>49,573</u>
Capital assets:	
Land	15,000
Construction in Progress	5,444
Cost of Plant in Service	1,461,872
Machinery and Equipement	45,585
Office Equipment	4,111
	<u>1,532,012</u>
Less accumulated depreciation	411,586
Net capital assets	<u>1,120,426</u>
Total assets	<u><u>\$ 1,169,999</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	\$ 19,179
Accrued interest payable	275
Payroll Liabilities Payable	1,273
Employee Insurarnce	151
Sales tax payable	2,173
Current portion of bonds payable	<u>3,000</u>
Total current liabilities	26,051
Non-current liabilities:	
Long-term debt:	
Bonds payable after one year	<u>182,115</u>
Total long-term debt	<u>182,115</u>
Total non-current liabilities	<u>182,115</u>
Total liabilities	<u>208,166</u>

Carderview Utility District
Statement of Net Assets (Cont.)

LIABILITIES AND NET ASSETS (CONT.)

Net assets:

Invested in capital assets, net of related debt	935,311
Restricted for capital projects	4,282
Restricted for debt service	8,261
Unrestricted net assets	<u>13,979</u>

Total net assets	<u>961,833</u>
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Total liabilities and net assets	<u><u>\$ 1,169,999</u></u>
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Carderview Utility District
Statement of Revenue, Expenses and Changes in Net Assets
For the Year Ended June 30, 2012

Operating revenue:

Water Sales	\$ 148,299
Late Charge	4,613
Reconnect Fees	2,270
Tap Fees	5,400
Miscellaneous Revenue	<u>830</u>

Total operating revenue \$ 161,412

Operating expenses:

Activity Fees	496
Bank Charges	889
Chemicals	2,095
Civil Penalty	1,200
Commissioners Pay	1,350
Contractor Labor	6,893
Contributions	125
Depreciation Expense	41,374
Equipment and Parts	10,247
Garbage Disposal Service	154
Gas and Fuel	2,772
Insurance	6,687
Internet Service	150
Licenses and Permits	57
Maintenance Fee	450
Membership Fees	1,090
Miscellaneous	240
Office Supplies	2,526
Payroll Expenses	62,083
Penalties and Interest Paid	3,895
Postage and Delivery	1,920
Printing and Reproduction	1,088
Professional Development	480
Professional Fees	7,060
Rent	2,524
Repairs	936
Shipping and Freight	149
Taxes	127

Carderview Utility District**Statement of Revenue, Expenses and Changes in Net Assets (Cont.)**

Operating expenses: (Cont.)

Telephone	2,173	
Travel	696	
Utilities	8,522	
Vehicle	1,158	
Water Analysis	1,423	
Total operating expenses		173,029
Operating income (loss)		(11,617)
Non-operating revenues (expenses)		
Interest Income	85	
Other Income	64	
Interest Expense	(8,298)	
	(8,149)	
Total non-operating revenue and expenses, net		(19,766)
Increase(decrease) in net assets		(19,766)
Net assets at beginning of year		981,599
Net assets at end of year		\$ 961,833

Carderview Utility District
Statement of Cash Flows
For the Year Ended June 30, 2012

Cash flows from operating activities:	
Cash received from customers	\$ 159,991
Cash payments to employees	(63,652)
Cash payments for goods and services	(86,028)
Net cash provided by operating activities	<u>10,311</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(5,444)
Principal repayments on long-term debt	(2,870)
Interest paid	(8,298)
Net cash provided by (used in) capital and related financing activities	<u>(16,612)</u>
Cash flows from investing activities:	
Receipts of interest	85
Other Income	64
Net cash provided by (used in) investing activities	<u>149</u>
Net increase (decrease) in cash and cash equivalents	(6,152)
Cash and cash equivalents, beginning of year	<u>22,843</u>
Cash and cash equivalents, end of year	<u><u>\$ 16,691</u></u>
Reconciliation of operating income/(loss) to net cash provided by operating activities:	
Operating income/(loss)	\$ (11,617)
Depreciation	41,374
Changes in assets and liabilities:	
Decrease (increase) in accounts receivable	(1,421)
Decrease (increase) in inventory	(6,053)
Increase (decrease) in accounts payable	(11,601)
Increase (decrease) in employee insurance	151
Increase (decrease) in sales tax payable	1,047
Increase (decrease) in payroll liabilities payable	(1,569)
Net cash provided by operating activities	<u><u>\$ 10,311</u></u>

Carderview Utility District
Notes to Financial Statements
June 30, 2012

NOTE 1. DEFINITION OF THE REPORTING ENTITY

The Carderview Utility District, Johnson County, Tennessee (the “District”) is a non-profit corporation which operates a utility district under the laws of the State of Tennessee to provide water service to customers in a defined service area.

The District meets the definition of a primary quasi-governmental entity under the following criteria – 1) the district is governed by a board of three self-elected commissioners, 2) the district has separate legal standing, and 3) the district is fiscally independent.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Method of Accounting

The District operates as an enterprise activity, and its records are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when incurred. The District follows all applicable Governmental Accounting Standards Board (GASB) pronouncements, and Financial Accounting Standards Board (FASB) pronouncements issued before November 30, 1989 unless the FASB pronouncements conflict or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance (FASB) for its enterprise activities, subject to the same limitation. The District has elected not to follow subsequent private-sector guidance.

B. Cash Equivalents

For the purposes of the Statement of Cash Flows, the district considers all highly liquid investment with an initial maturity of three months or less to be cash equivalents regardless of restrictions.

**Carderview Utility District
Notes to Financial Statements (Cont.)**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

C. Receivables

Accounts receivable are the result of ordinary transactions in the normal course of business. The District has established an allowance for doubtful accounts based on amounts determined uncollectible by analysis of all past due customers. Water revenues are recognized on the accrual basis as earned. The District board adopts and adjusts a formal rate structure for services that is designed to meet operational costs, capital improvement and replacements, debt service, and rational reserves.

D. Capital Assets

Capital assets are defined by the District as individual assets with a life expectancy of more than two years and a cost of \$100 or more. The capital assets are recorded as assets at the time of purchase at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

Expenditures for maintenance and repairs, which do not improve or extend the life of the asset, are charged to expenses as incurred. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. For the year under examination, there was no interest costs capitalized.

The capital assets of the District are depreciated using the straight-line method over estimated useful lives as follows:

<u>Type of Asset</u>	<u>Years</u>
Distribution System	50
Buildings and Improvements	15-40
Pumps and Taps	20
Equipment and Machinery	10
Computers, Peripherals and Software	5
Vehicles	5

E. Compensated Absences

The District manager receives one week paid vacation per year. A liability for accrued vacation has not been recorded as the amount is considered immaterial.

Carderview Utility District Notes to Financial Statements (Cont.)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

F. Management Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

H. Contributed Capital

Contributions are recognized in the Statement of Revenues, Expenses, and Changes in Net Assets when earned. Contributions include capital grants, tap fees in excess of tap connection expense, and customer contributions from system expansion projects.

Water and sewer lines are constructed by private developers and then dedicated to the District, which is then responsible for their future maintenance. These lines are recorded as capital contributions when they pass inspection by the District. The estimated costs, which approximate fair value, are capitalized as cost of plant in service.

I. Net Assets

The District classifies net assets into three components; (1) invested in capital assets, net of related debt (2) restricted, and (3) unrestricted. These classifications are defined as follows:

- 1) Invested in capital assets, net of related debt - This component of net assets consists of capital assets, including restricted capital assets, net of Accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation for invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Carderview Utility District Notes to Financial Statements (Cont.)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

I. Net Assets (Cont.)

- 2) Restricted - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- 3) Unrestricted net assets - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

J. Revenues and Expenses

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities. When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is the District's policy to apply those expenses to restricted net assets to the extent such are available and then to unrestricted net assets.

K. Statements of Cash Flows

For purposes of the Statements of Cash Flows, the District considers all currency, demand deposits, money market accounts and certificates of deposit with banks or other financial institutions to be cash equivalents.

NOTE 3. BUDGETS

The District's board of commissioners reviews and adopts an annual operating budget prepared by management. The budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America and that basis is consistent with the basis used in preparing the district's financial statements.

Carderview Utility District Notes to Financial Statements (Cont.)

NOTE 4. MAJOR CUSTOMERS

Sales to no single customer exceeded 10% of total operating revenues.

NOTE 5. DEPOSITS

The District's bank deposits are categorized below to give an indication of the level of risk assumed by the District at fiscal year end

Category 1 includes insured or collateralized deposits with securities held by the District or by its agent in the District's name.

Category 2 includes collateralized deposits with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 includes uninsured and uncollateralized deposits.

June 30, 2012	Category			Total Bank Balance	Carrying Amount
	1	2	3		
Deposits with Financial Institutions	\$ 17,876			\$ 28,986	\$ 16,691

Bank deposits are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 each for interest bearing and noninterest bearing accounts. As of June 30, 2012 all deposits were fully insured by the FDIC.

NOTE 6. RISK MANAGEMENT

The District is exposed to various risks of loss relating to, theft, and damage to, and destruction of assets. Furthermore, there is exposure to risks of loss relating to natural disasters, errors and omissions, and torts. To insure against casualty risks, the District purchases insurance coverage through an independent insurance agency. Settled claims have not exceeded the commercial coverage in the past three fiscal years.

Carderview Utility District Notes to Financial Statements (Cont.)

NOTE 7. LONG-TERM DEBT

On September 3, 2003, the District sold a Waterworks Revenue Bond, Series 2003, to the Farmers Home Administration. The bond bears interest at the rate of 4.25 percent per year, payable in 240 consecutive monthly installments of principal and interest in the amount of \$222.00 each. At June 30, 2012, the bonds outstanding amounted to \$43,923.

On March 22, 2005, the District sold a Waterworks Revenue Bond, Series 2004, to the Farmers Home Administration. The bond bears interest at the rate of 4.5 percent per year, payable in 240 consecutive monthly installments of principal and interest in the amount of \$573.00 each. At June 30, 2012, the bonds outstanding amounted to \$113,900.

On August 24, 2006, the District sold a Waterworks Revenue Bond, Series 2006, to the Farmers Home Administration. The bond bears interest at the rate of 4.5 percent per year, payable in 240 consecutive monthly installments of principal and interest in the amount of \$135.00 each. At June 30, 2012, the bonds outstanding amounted to \$27,292.

As part of the debt agreement, the District is required to maintain a reserve of \$8,261.

A summary of long-term debt as of June 30, 2012 is as follows:

Obligation	Principal Balance 7/1/2011	Additions	Retirements	Principal Balance 6/30/2012
Water Works Revenue Bond, Series 2003	\$ 44,702	\$ 0	\$ 779	\$ 43,923
Waterworks Revenue Bonds, Series 2004	115,609	0	1,709	113,900
Waterworks Revenue Bonds, Series 2006	27,674	0	382	27,292
Total	\$ 187,985	\$ 0	\$ 2,870	\$185,115

Carderview Utility District
Notes to Financial Statements (Cont.)

NOTE 7. LONG-TERM DEBT (CONT.)

The annual requirements to amortize debt as of June 30, 2012 are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 3,000	\$ 8,160	\$ 11,160
2014	3,135	8,025	11,160
2015	3,278	7,882	11,160
2016	3,426	7,734	11,160
2017	3,581	7,579	11,160
2018-2022	20,485	35,315	55,800
2023-2027	25,556	30,244	55,800
2028-2032	31,887	23,913	55,800
2033-2037	39,789	16,011	55,800
2038-2042	44,990	6,366	51,356
2043	5,988	290	6,278
Total	<u>\$ 185,115</u>	<u>\$ 151,519</u>	<u>\$ 336,634</u>

NOTE 8. CAPITAL ASSETS

A summary of capital asset activity and changes in accumulated depreciation for the year ended June 30, 2012 follows:

	Balance 7/1/2011	Additions	Deductions	Balance 6/30/2012
<u>Capital assets not being depreciated</u>				
Land	\$ 15,000	\$ 0	\$ 0	\$ 15,000
Construction in Progress	0	5,444	0	5,444
Total Capital Assets Not Being Depreciated	<u>15,000</u>	<u>5,444</u>	<u>0</u>	<u>20,444</u>
<u>Capital assets being depreciated</u>				
Cost of Plant in Service	1,461,872	0	0	1,461,872
Machinery and Equipment	45,585	0	0	45,585
Office Equipment	4,111	0	0	4,111
Total Capital Assets Being Depreciated	<u>1,511,568</u>	<u>0</u>	<u>0</u>	<u>1,511,568</u>
<u>Accumulated Depreciation</u>				
Cost of Plant in Service	341,015	38,271	0	379,286
Machinery and Equipment	25,417	2,636	0	28,053
Office Equipment	3,780	467	0	4,247

Carderview Utility District
Notes to Financial Statements (Cont.)

NOTE 8. CAPITAL ASSETS (CONT.)

Total Accumulated Depreciation	370,212	41,374	0	411,586
Net Capital Assets Being Depreciated	1,141,356	(41,374)	0	1,099,982
Net Capital Assets	\$1,156,356	\$(35,930)	\$ 0	\$1,120,426

Depreciation expense incurred during the year amounted to \$41,374.

NOTE 9. CHANGES IN AMOUNTS INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT

The change in amounts invested in capital assets, net of related debt can be summarized as follows:

	Invested in Capital Assets Net of Related Debt
Beginning of year (Restated)	\$ 968,371
Depreciation Expense	(41,374)
Change in capital assets	5,444
Change in related debt	2,870
End of year	\$ 935,311

NOTE 10. SUBSEQUENT EVENTS

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about the conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Authority through November 26, 2012 (the date the financial statements were available to be issued) and concluded that no events should be disclosed as a subsequent event.

SUPPLEMENTARY INFORMATION SECTION

Carderview Utility District
Schedule of Utility Rate Structure and Number of Customers
For the Year Ended June 30, 2012

	2011-2012	2010-2011	2009-2010	2008-2009	2007-2008	2006-2007
Water Rates:						
Residential Rates						
First two thousand gallons	\$ 27.16	\$ 27.16	\$ 27.16	\$ 25.66	\$ 22.85	\$ 22.85
gallons thereafter	\$ 5.50	\$ 5.50	\$ 5.50	\$ 3.75	\$ 3.50	\$ 3.50
Commerical Rates						
First two thousand gallons	\$ 32.00	\$ 32.00	\$ 32.00	\$ 29.20	\$ 29.20	\$ 26.00
per thousand gallons thereafter	\$ 9.00	\$ 9.00	\$ 9.00	\$ 6.75	\$ 6.75	\$ 6.50
Number of metered taps at year-end	343	403	347	347	333	333
Other Fees						
Tap Fee	\$ 1,800	\$ 1,800	\$ 1,800	\$ 1,800	\$ 1,500	\$ 1,500
Connection Fee - Owner	50	50	50	-	-	-
Connection Fee - Renter	100	100	100	-	-	-
Reconnect Fee	50	50	50	-	-	-
Address Change	10	10	10	10	10	10
Turn on after Non Payment	50	50	50	50	50	50
Returned Check Fee	20	20	20	20	20	20
Late Payment Charge (Residential)	5	5	5	7	5	3
Late Payment Charge (Commerical)	7	7	7	7	5	5
Payment by Debit Card	1	1	1	-	-	-
Cleaning around meters	25	25	-	-	-	-

Carderview Utility District
Schedule of Future Debt Service Requirements to Maturity
For the Year Ended June 30, 2012

Year Ending	<u>Revenue Bond 2003</u>		<u>Revenue Bond 2004</u>		<u>Revenue Bond 2006</u>		<u>Total Requirments</u>		Total Requirements
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2013	\$ 813	\$ 1,851	\$ 1,787	\$ 5,089	\$ 400	\$ 1,220	\$ 3,000	\$ 8,160	\$ 11,160
2014	848	1,816	1,869	5,007	418	1,202	3,135	8,025	11,160
2015	885	1,779	1,955	4,921	438	1,182	3,278	7,882	11,160
2016	923	1,741	2,045	4,831	458	1,162	3,426	7,734	11,160
2017	963	1,701	2,139	4,737	479	1,141	3,581	7,579	11,160
2018	1,005	1,659	2,237	4,639	501	1,119	3,743	7,417	11,160
2019	1,048	1,616	2,340	4,536	524	1,096	3,912	7,248	11,160
2020	1,094	1,570	2,447	4,429	548	1,072	4,089	7,071	11,160
2021	1,141	1,523	2,560	4,316	573	1,047	4,274	6,886	11,160
2022	1,191	1,473	2,677	4,199	599	1,021	4,467	6,693	11,160
2023	1,242	1,422	2,800	4,076	627	993	4,669	6,491	11,160
2024	1,296	1,368	2,929	3,947	656	964	4,881	6,279	11,160
2025	1,352	1,312	3,063	3,813	686	934	5,101	6,059	11,160
2026	1,411	1,253	3,204	3,672	717	903	5,332	5,828	11,160
2027	1,472	1,192	3,351	3,525	750	870	5,573	5,587	11,160
2028	1,536	1,128	3,505	3,371	785	835	5,826	5,334	11,160
2029	1,602	1,062	3,666	3,210	821	799	6,089	5,071	11,160
2030	1,672	992	3,835	3,041	858	762	6,365	4,795	11,160
2031	1,744	920	4,011	2,865	898	722	6,653	4,507	11,160
2032	1,820	844	4,195	2,681	939	681	6,954	4,206	11,160
2033	1,899	765	4,388	2,488	982	638	7,269	3,891	11,160
2034	1,981	683	4,590	2,286	1,027	593	7,598	3,562	11,160
2035	2,067	597	4,800	2,076	1,075	545	7,942	3,218	11,160
2036	2,157	507	5,021	1,855	1,124	496	8,302	2,858	11,160
2037	2,250	414	5,252	1,624	1,176	444	8,678	2,482	11,160
2038	2,348	316	5,493	1,383	1,230	390	9,071	2,089	11,160
2039	2,449	215	5,745	1,131	1,286	334	9,480	1,680	11,160
2040	2,555	109	6,009	867	1,345	275	9,909	1,251	11,160
2041	1,159	13	6,285	591	1,407	213	8,851	817	9,668
2042	-	-	6,207	381	1,472	148	7,679	529	8,208
2043	-	-	3,495	192	2,493	98	5,988	290	6,278
Total	\$ 43,923	\$ 31,841	\$ 113,900	\$ 95,779	\$ 27,292	\$ 23,899	\$ 185,115	\$ 151,519	\$ 336,634

AWWA WLCC Free Water Audit Software: Reporting Worksheet

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WAS v4.2

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[Click to access definition](#)

Water Audit Report for: **Carderview Utility District**

Reporting Year: **2012** 7/2011 - 6/2012

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the

All volumes to be entered as: **MILLION GALLONS (US) PER YEAR**

WATER SUPPLIED

<< Enter grading in column 'E'

Volume from own sources: Million gallons (US)/yr (MG/Yr)
Master meter error adjustment (enter positive value): MG/Yr
Water imported: MG/Yr
Water exported: MG/Yr

WATER SUPPLIED: MG/Yr

AUTHORIZED CONSUMPTION

Billed metered: MG/Yr
Billed unmetered: MG/Yr
Unbilled metered: MG/Yr
Unbilled unmetered: MG/Yr

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

AUTHORIZED CONSUMPTION: MG/Yr

Click here: for help using option buttons below

Use buttons to select percentage of water supplied OR value

WATER LOSSES (Water Supplied - Authorized Consumption)

MG/Yr

Apparent Losses

Unauthorized consumption: MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies: MG/Yr

Systematic data handling errors: MG/Yr

Systematic data handling errors are likely, please enter a non-zero value; otherwise grade = 5

Apparent Losses: MG/Yr

Choose this option to enter a percentage of billed metered consumption. This is NOT a default value

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: MG/Yr

WATER LOSSES: MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: MG/Yr

= Total Water Loss + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: miles
Number of active AND inactive service connections:
Connection density: conn./mile main
Average length of customer service line: ft (pipe length between curbstop and customer meter or property boundary)
Average operating pressure: psi

COST DATA

Total annual cost of operating water system: \$/Year
Customer retail unit cost (applied to Apparent Losses): \$/1000 gallons (US)
Variable production cost (applied to Real Losses): \$/Million gallons

PERFORMANCE INDICATORS

Financial Indicators

Non-revenue water as percent by volume of Water Supplied:
Non-revenue water as percent by cost of operating system:
Annual cost of Apparent Losses:
Annual cost of Real Losses:

Operational Efficiency Indicators

Apparent Losses per service connection per day: gallons/connection/day
Real Losses per service connection per day*: gallons/connection/day
Real Losses per length of main per day*: gallons/mile/day
Real Losses per service connection per day per psi pressure: gallons/connection/day/psi

Unavoidable Annual Real Losses (UARL):

*** UARL cannot be calculated as either average pressure, number of connections or length of mains is too small: SEE UARL DEFINITION ***

From Above, Real Losses = Current Annual Real Losses (CARL):

Infrastructure Leakage Index (ILI) [CARL/UARL]:

* only the most applicable of these two indicators will be calculated

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 71 out of 100 *****

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

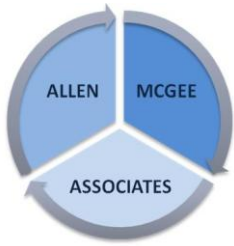
1: Volume from own sources

2: Customer metering inaccuracies

3: Billed metered

[For more information, click here to see the Grading Matrix worksheet](#)

COMPLIANCE SECTION



Allen, McGee and Associates

Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

November 26, 2012

To the Board of Commissioners
Carderview Utility District
Butler, Tennessee 37640

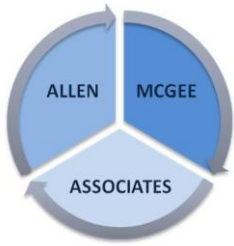
We have audited the financial statements of Carderview Utility District, as of and for the year ended June 30, 2012, and have issued our report thereon dated November 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Carderview Utility District, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Carderview Utility District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Carderview Utility District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Carderview Utility District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies or material weaknesses have been identified. We consider the deficiencies described in the accompanying schedule of findings to be material weaknesses. Finding 12-01 Segregation of Duties, Finding 12-02 Maintenance of General Ledger Control for Accounts Receivable. We identified certain deficiencies in internal control over financial



Allen, McGee and Associates

Certified Public Accountants

reporting, described in the accompanying schedule of findings that we consider to be significant deficiencies in internal control over financial reporting. Finding 12-03 Reconciliation of the Bank Statements to the General Ledger Controls, 12-04 Maintenance of the Inventory of Materials and Supplies on the General Ledger and Establishment of Internal Controls Over the Use of Materials and Supplies, 12-05 Reconciliation of Payroll Liabilities Payable to Amounts Paid and/or Due and 12-07 Collections Deposited Intact. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Carderview Utility District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as 12-06 Potential Conflict of Interest and 12-08 Rates of the Carderview Utility District Not Sufficient to Cover the Operation and Maintenance of the System for the Past Three Fiscal Years.

Carderview Utility District's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit Carderview Utility District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, District Commissioners, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Allen, McGee and Associates, LLC
Certified Public Accountants

**Carderview Utility District
Schedule of Audit Findings Not Corrected
Year Ended June 30, 2012**

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Financial Report for the Carderview Utility District for the year ended June 30, 2011, which have not been corrected.

Finding Number	Page Number	Subject
11-01	36	Duties Were not Adequately Segregated
11-02	36	Maintenance of General Ledger Control for Accounts Receivable
11-03	37	Failure to Properly Reconcile the Bank Statements to the General Ledger Controls
11-04	38	Failure to Maintain Inventory of Materials and Supplies on the General Ledger and Establish Internal Controls Over the Use of Materials and Supplies
11-05	38	Failure to Reconcile Payroll Liabilities Payable to Amounts Paid and/or Due
11-06	39	Potential Conflict of Interest

**Carderview Utility District
Schedule of Findings
Year Ended June 30, 2012**

PART I. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Carderview Utility District.
2. The examination of the financial statements of the Carderview Utility District disclosed material weaknesses in internal control. Conditions 12-01 and 12-02
3. An instance of noncompliance material to the financial statements of the Carderview Utility district was disclosed during the audit.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

FINDING 12-01 **SEGREGATION OF DUTIES**
(Internal Control – Material Weakness under *Government Auditing Standards*)

Duties were not adequately segregated among employees or other responsible parties of the utility district. One employee approved time sheets of their spouse, calculated pay for their spouse, initiated the creation of the spouse's pay checks with no oversight and also, co-signed these checks. The employee responsible for maintaining accounting records was also involved in receipting, depositing, and disbursing funds.

RECOMMENDATION

To decrease the risk of undetected errors and irregularities, management should review employees' responsibilities to ensure that no employee has control over a complete transaction. When necessary, management should assume additional oversight duties.

FINDING 12-02 **MAINTENANCE OF GENERAL LEDGER CONTROL FOR ACCOUNTS RECEIVABLE**
(Internal Control – Material Weakness under *Government Auditing Standards*)

During the year examined a general ledger control account was not maintained for accounts receivable. And this control account was not reconciled on a periodic basis with the activity of a subsidiary ledger. The failure to maintain and reconcile this control on the general ledger resulted in a failure to properly record and account for revenues during the audit period. This procedure is necessary to ensure that all receivables are properly accounted for and recorded on the general ledger in the proper manner.

Carderview Utility District Schedule of Findings (Cont.)

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS (CONT.)

FINDING 12-02 MAINTENANCE OF GENERAL LEDGER CONTROL FOR
ACCOUNTS RECEIVABLE (CONT.)

RECOMMENDATION

A control account for the accounts receivable be maintained on the general ledger and that the subsidiary records be reconciled to this control by personnel of the utility district on a periodic basis.

FINDING 12-03 RECONCILIATION OF THE BANK STATEMENTS TO THE
GENERAL LEDGER CONTROLS
(Internal Control – Significant Deficiency under *Government Auditing Standards*)

During the period under examination the bank reconciliations were performed, however, unusual items were not investigated and corrections made for these errors. Also, changes were made to the general ledger after the reconciliations were performed for the bank accounts and updated reconciliations were not performed on these changed balances.

FINDING 12-03 RECONCILIATION OF THE BANK STATEMENTS TO THE
GENERAL LEDGER CONTROLS (CONT.)

RECOMMENDATION

The bank statements should be properly reconciled to the general ledger controls in a timely manner and the unusual items and errors disclosed should be investigated and errors corrected. The accounting package used by the district allows for the closing periods to be established that will prevent changes to the general ledger after the monthly reconciliation is performed. The district should consider the use of this feature of the accounting package to prevent changes being made after the banks accounts are reconciled.

Carderview Utility District Schedule of Findings (Cont.)

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS (CONT.)

FINDING 12-04 MAINTAINANCE OF THE INVENTORY OF MATERIALS AND SUPPLIES ON THE GENERAL LEDGER AND ESTABLISHMENT OF INTERNAL CONTROLS OVER THE USE OF MATERIALS AND SUPPLIES
(Internal Control – Significant Deficiency under *Government Auditing Standards*)

A material and supplies inventory account was maintained on the general ledger of the district; however, no activity was posted to the account during the year examined. The *Uniform Accounting Manual for Tennessee Utility Districts*, Chapter 16, outlines the requirements for accounting for inventory items. A general ledger control account should be maintained by the district and reconciled to a subsidiary ledger on a periodic basis.

The district also has not established a system to track the use of supplies as they are being used in the repair and maintenance of the system. Sound internal controls and the *Uniform Accounting Manual for Tennessee Utility Districts*, Chapter 16 require that a system be established by the district to ensure that all materials and supplies are being used in the appropriate manner and are properly accounted for.

FINDING 12-04 MAINTAINANCE OF THE INVENTORY OF MATERIALS AND SUPPLIES ON THE GENERAL LEDGER AND ESTABLISHMENT OF INTERNAL CONTROLS OVER THE USE OF MATERIALS AND SUPPLIES (CONT.)

RECOMMENDATION

A general ledger control account should be maintained and activity posted to the material and supply inventory and at least annually a physical inventory should be taken and extended and then reconciled to the general ledger controls. A system should be established to ensure that tracks the use of material and supplies to the final use identifying the job the materials and supplies are used on.

FINDING 12-05 RECONCILIATION OF PAYROLL LIABILITIES PAYABLE TO AMOUNTS PAID AND/OR DUE
(Internal Control – Significant Deficiency under *Government Auditing Standards*)

Payroll liabilities were not reconciled to the amounts paid and/or due for the fiscal year under examination. This resulted in payroll liabilities being overstated on June 30th.

Carderview Utility District Schedule of Findings (Cont.)

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS (CONT.)

FINDING 12-05 RECONCILIATION OF PAYROLL LIABILITIES PAYABLE TO AMOUNTS PAID AND/OR DUE (CONT.)

RECOMMENDATION

Payroll liabilities should be reconciled on a periodic basis to the amounts due and/or subsequently paid.

FINDING 12-06 POTENTIAL CONFLICT OF INTEREST (Noncompliance Under *Government Auditing Standards*)

During the period under examination the district's manager's husband worked for the utility district and was paid a wages of \$17,485. *Tennessee Code Annotated* section 12-4-101(a)(1) states that "It is unlawful for any officer, committee member, director, or other person whose duty it is to vote for, let-out overlook, or in any manner to superintend any work or any contract in which any municipal corporation, county, state, development district, utility district, human resource agency, or other political subdivision created by statute shall or may be interested, to be directly interested in any such contract.

RECOMMENDATION

The management of the utility district should review this situation and take corrective actions and/or obtain a State Attorney General's opinion on this specific situation of this issue.

FINDING 12-07 COLLECTIONS DEPOSITED INTACT (Internal Control – Significant Deficiency under *Government Auditing Standards*)

Collections were not deposited intact (in the form and amount in which they were collected) for 23 days of the 67 days tested. The *Uniform Accounting Manual for Tennessee Utility Districts*, Chapter 7 Section 2, states that "District officials should ensure that collections are deposited intact. Intact means that collections are deposited in the form and amount in which they are collected. All money collected must be deposited in the next deposit. No collections should be withheld from the deposit for any reason."

RECOMMENDATION

Collections should be deposited intact as required by the *Uniform Accounting Manual for Tennessee Utility Districts*.

Carderview Utility District Schedule of Findings (Cont.)

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS (CONT.)

FINDING 12-08 RATES OF THE CARDERVIEW UTILITY DISTRICT NOT
SUFFICIENT TO COVER THE OPERATION AND MAINTENANCE
OF THE SYSTEM FOR THE PAST THREE FISCAL YEARS
(Non-Compliance under *Government Auditing Standards*)

Tennessee Code Annotated 7-82-403 and Section 5 (c) of the bond agreements requires the Carderview Utility District commissioners establish rates that are sufficient to provide for all expenses of operation and maintenance of the system. During the years ended June 30, 2012, 2011 and 2010 the district had a decrease in net asset of \$19,766, \$9,577 and \$10,984 respectively and the rates were not sufficient to cover these expenses.

RECOMMENDATION

Carderview Utility District should establish rates that cover all expenses of operation and maintenance of the system or take corrective actions to ensure compliance with state statutes and bond agreements.